

# The Budget: Health Care, Energy, and Telecommunications

February 27, 2023

Presentation to the Republican Members of the House Energy and  
Commerce Committee

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# CBO's Role

CBO was established to give the Congress a stronger role in budget matters.

The agency conducts objective and impartial analysis of budgetary and economic issues. It provides budget and economic projections, cost estimates, analytic reports, and other materials on a variety of topics.

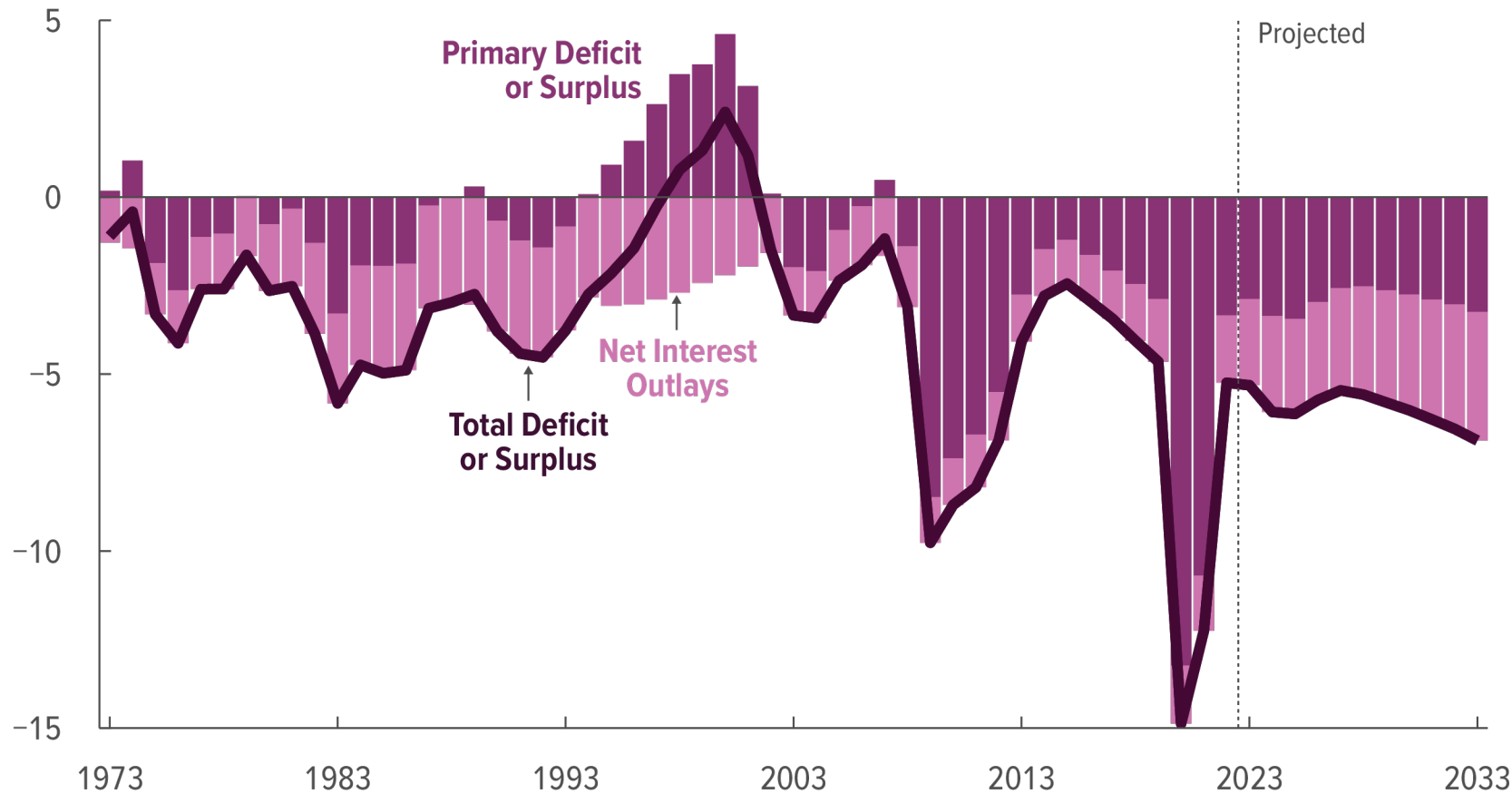
As a strictly nonpartisan agency, CBO makes no policy recommendations and carries out its mission with integrity.

In carrying out its mission, CBO follows processes that are specified in statute or developed by the agency with the budget committees and Congressional leadership. CBO's chief responsibility under the Budget Act is to help the budget committees with the matters under their jurisdiction.

# **The Budget**

# Total Deficits, Primary Deficits, and Net Interest Outlays

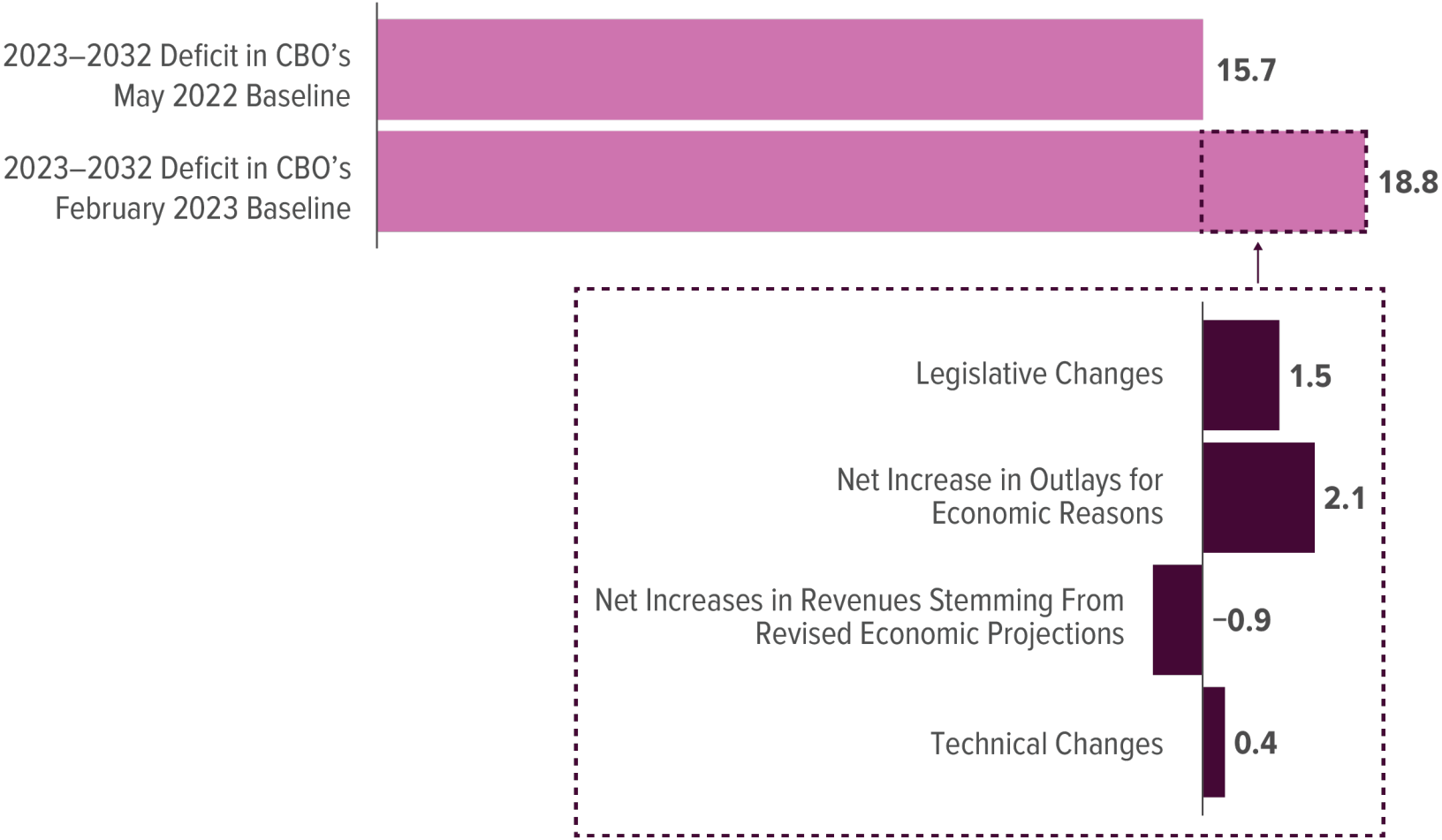
Percentage of Gross Domestic Product



In CBO's projections, net interest outlays increase by 1.2 percent of GDP from 2023 to 2033 and are a major contributor to the growth of total deficits. Primary deficits increase by 0.4 percent of GDP over that period.

# Changes in CBO’s Baseline Projections of the 10-Year Deficit Since May 2022

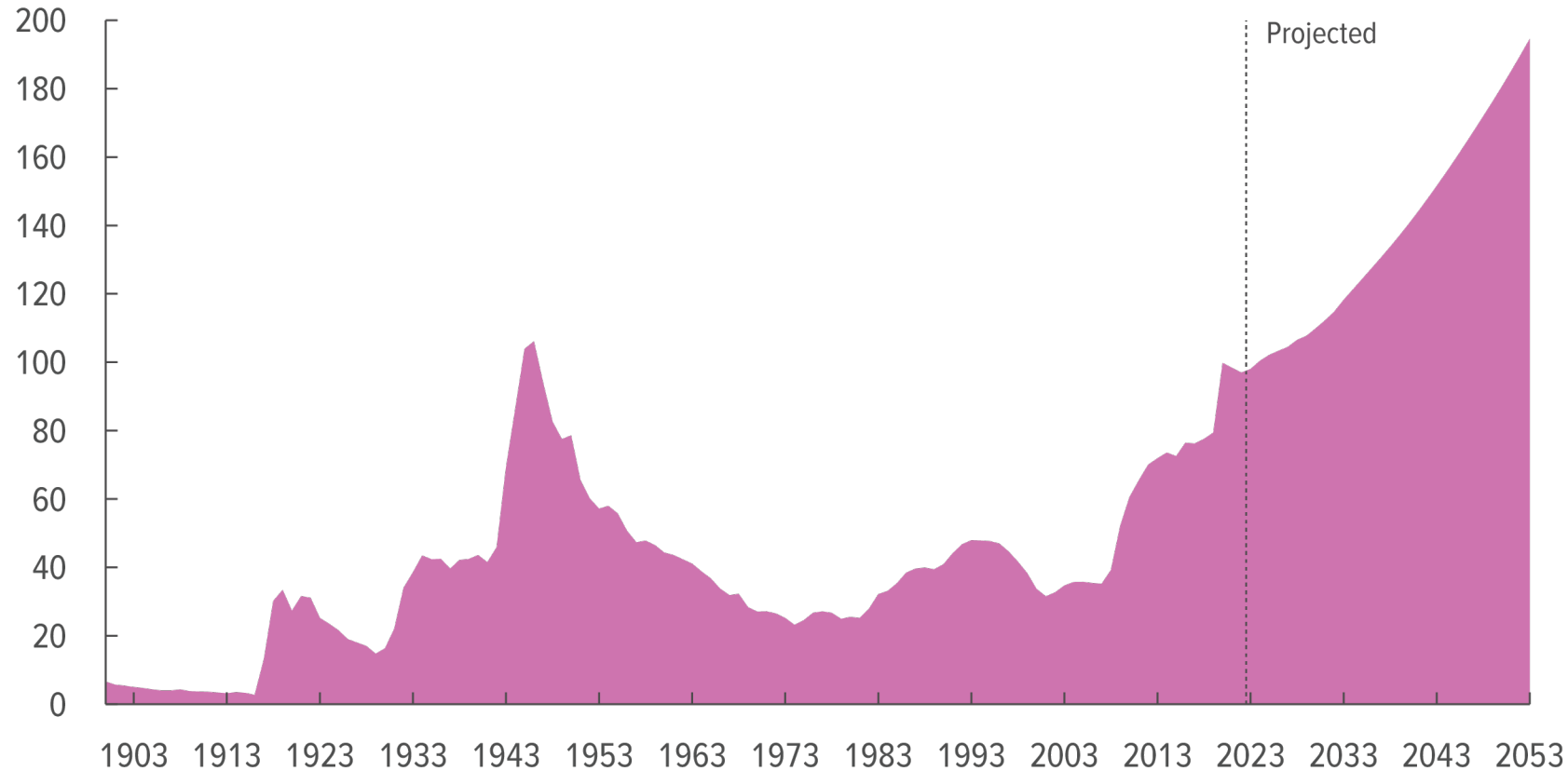
Trillions of Dollars



The cumulative deficit over the 2023–2032 period is \$3.1 trillion larger in CBO’s current baseline projections than it was in the agency’s May 2022 projections, mainly because of newly enacted legislation and changes to the economic forecast that boost projected net interest outlays and spending on mandatory programs, such as Social Security.

# Federal Debt Held by the Public

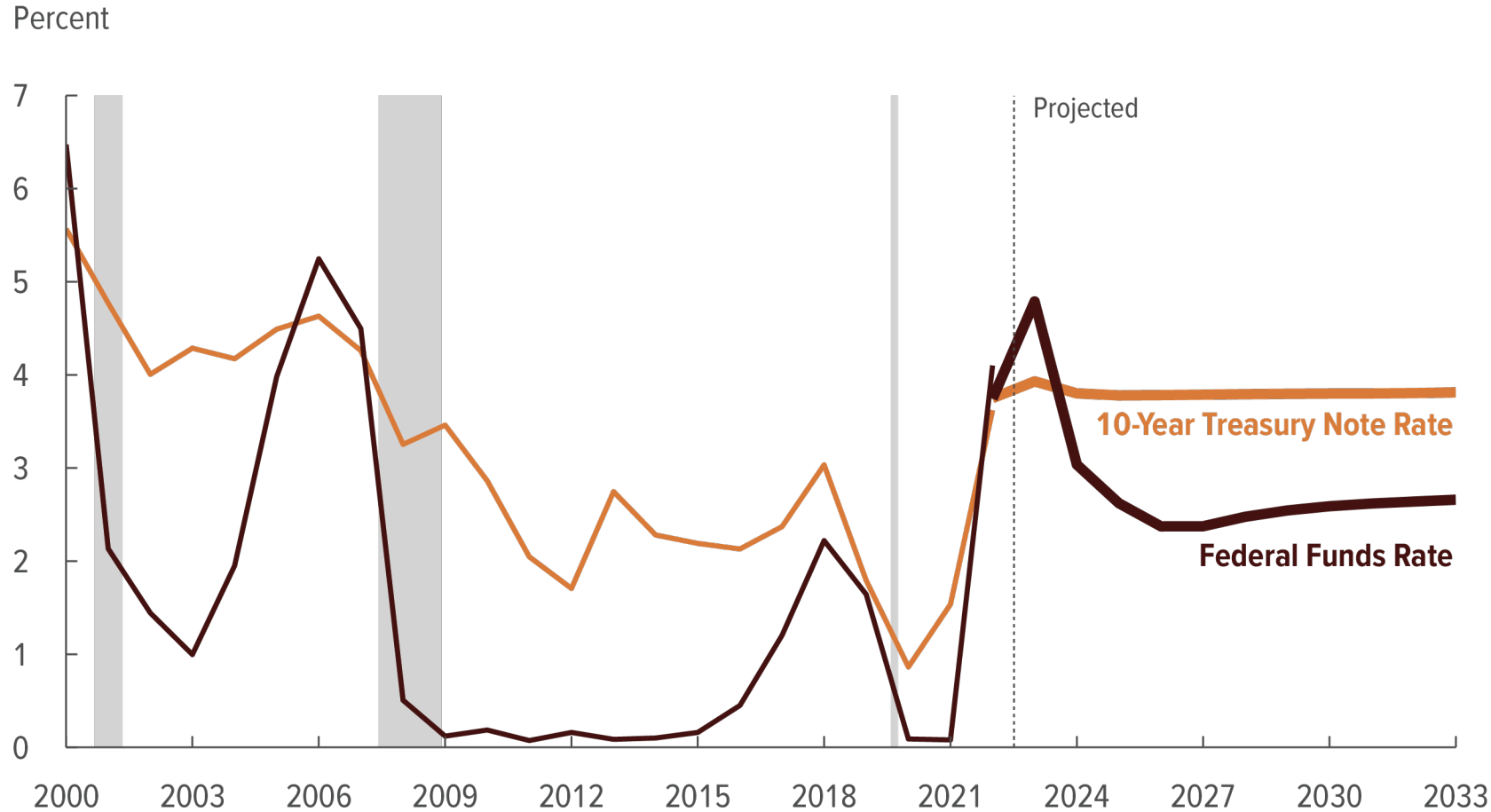
Percentage of Gross Domestic Product



Federal debt held by the public is projected to increase in each year of the projection period and to reach 118 percent of GDP in 2033—higher than it has ever been. In the two decades that follow, growing deficits are projected to push federal debt higher still, to 195 percent of GDP in 2053.

# **The Economy**

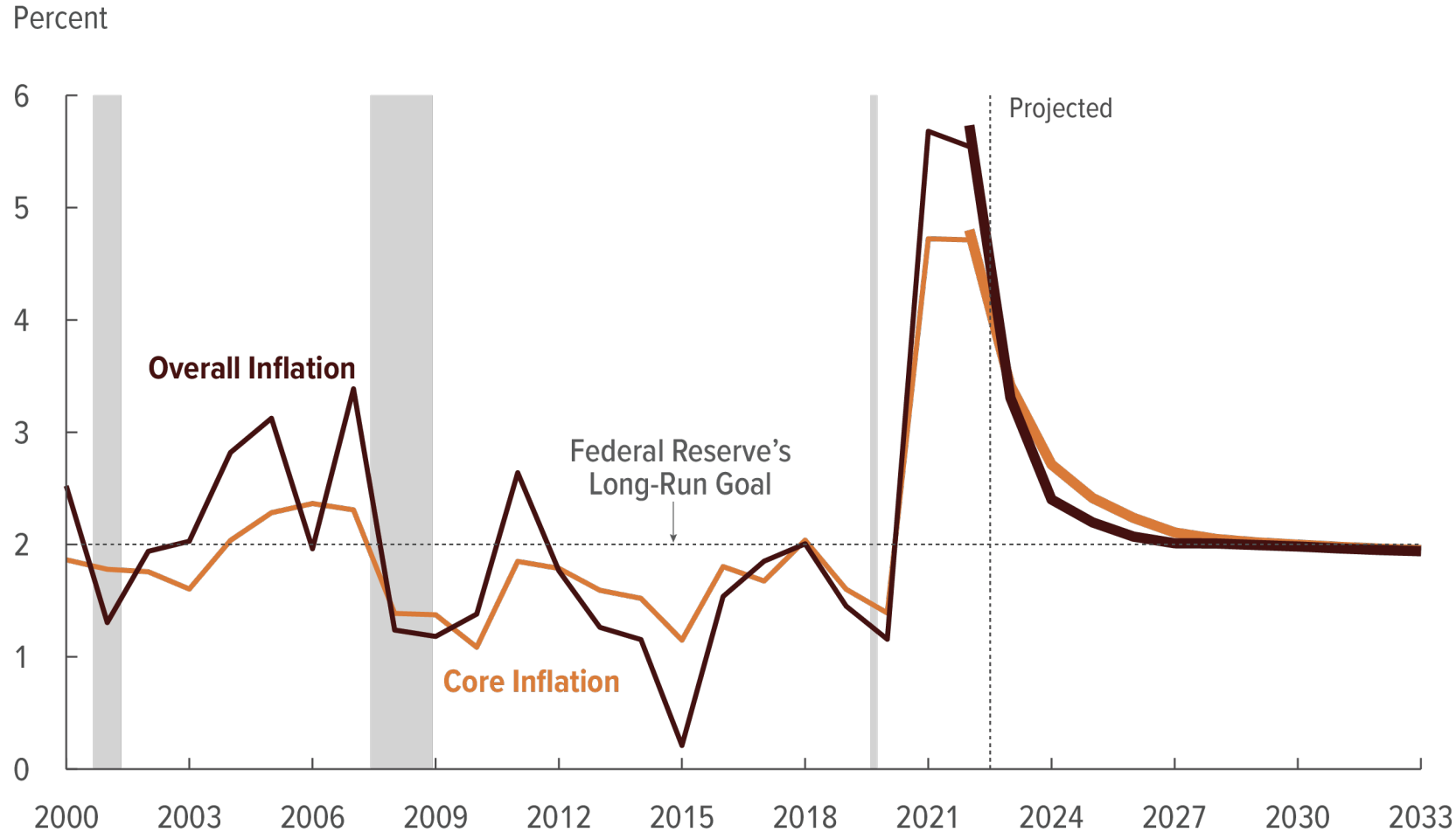
# Interest Rates



In CBO's projections, the Federal Reserve further increases the target range for the federal funds rate in early 2023 to reduce inflationary pressures in the economy. That rate is projected to fall in 2024, as inflation slows and unemployment rises. The interest rate on 10-year Treasury notes, however, remains at 3.8 percent from 2024 to the end of the projection period.

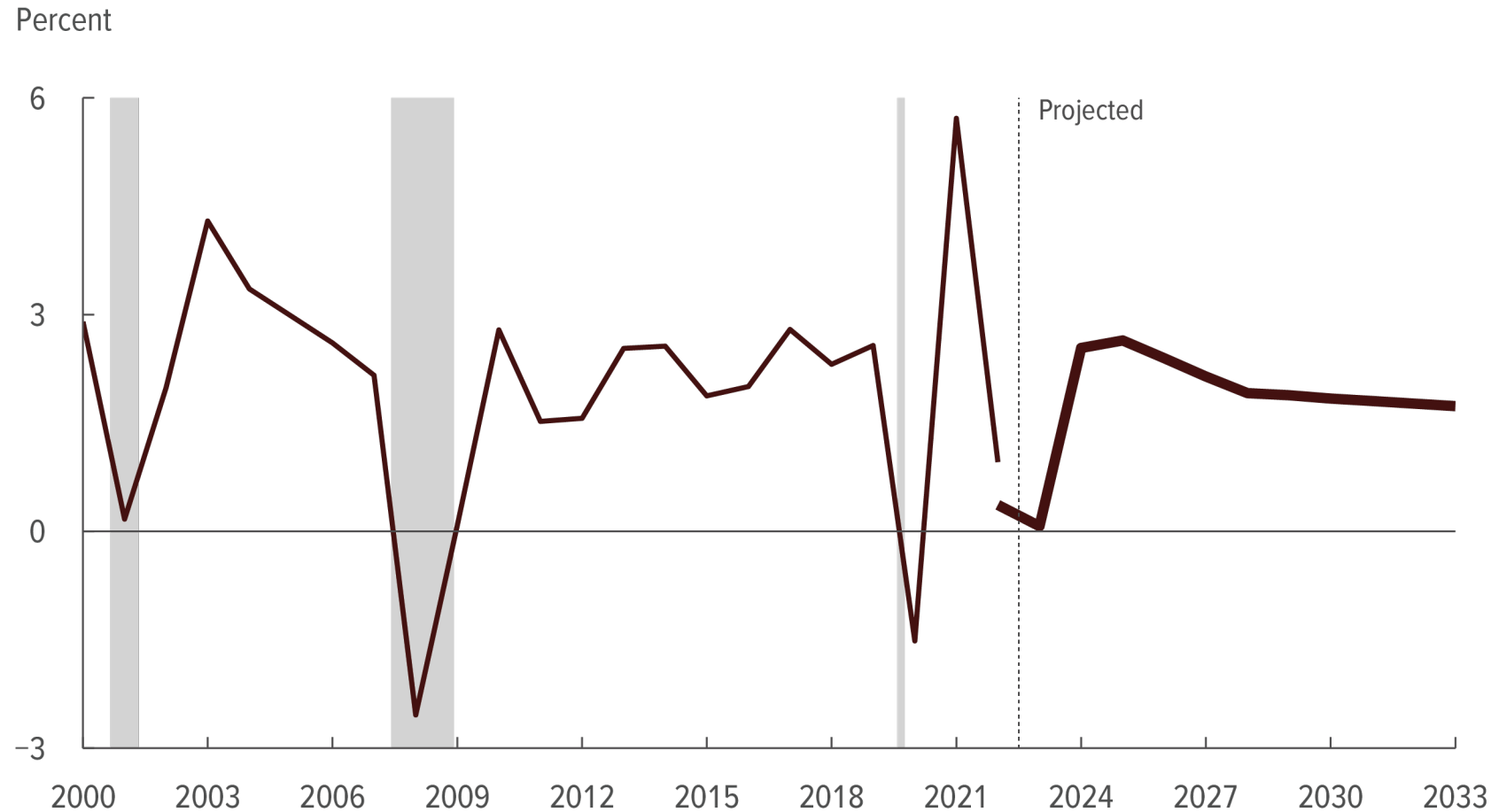


# Inflation



In CBO's projections, inflation declines in 2023 as pressures ease from factors that, since mid-2020, have caused demand to grow more rapidly than supply. That decline continues until 2027, when the rate of inflation reaches the Federal Reserve's long-run goal. (Inflation is measured by the price index for personal consumption expenditures.)

# Growth of Real GDP

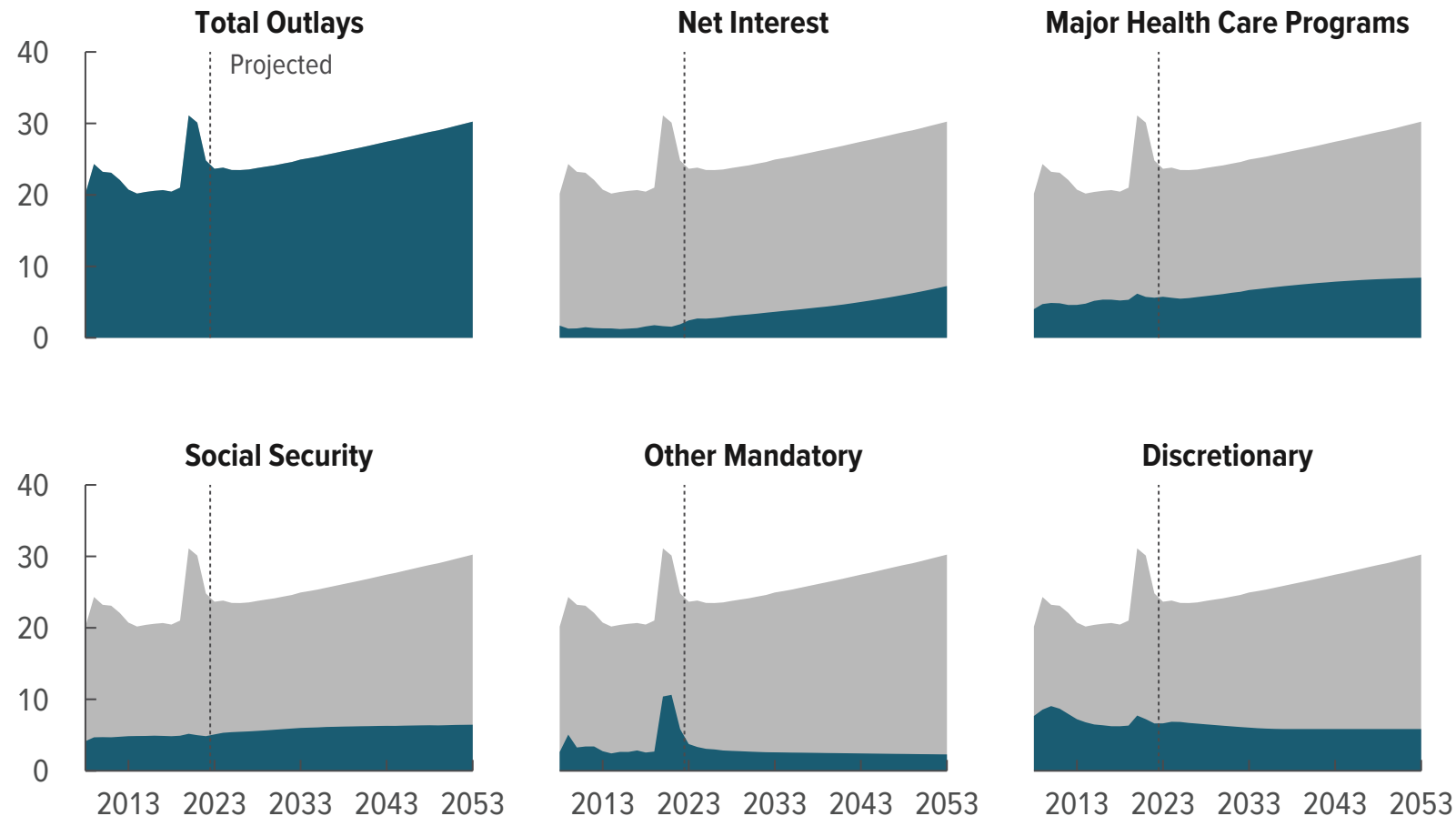


In CBO's projections, output growth comes to a halt in 2023 in response to the sharp rise in interest rates during 2022. Then, as falling inflation allows the Federal Reserve to reduce the target range for the federal funds rate, the growth of real GDP rebounds, led by the interest-sensitive sectors of the economy.

# **Health Care in the Budget**

# The Extent to Which Health Programs Drive Spending, Specifically Mandatory Spending

Percentage of Gross Domestic Product



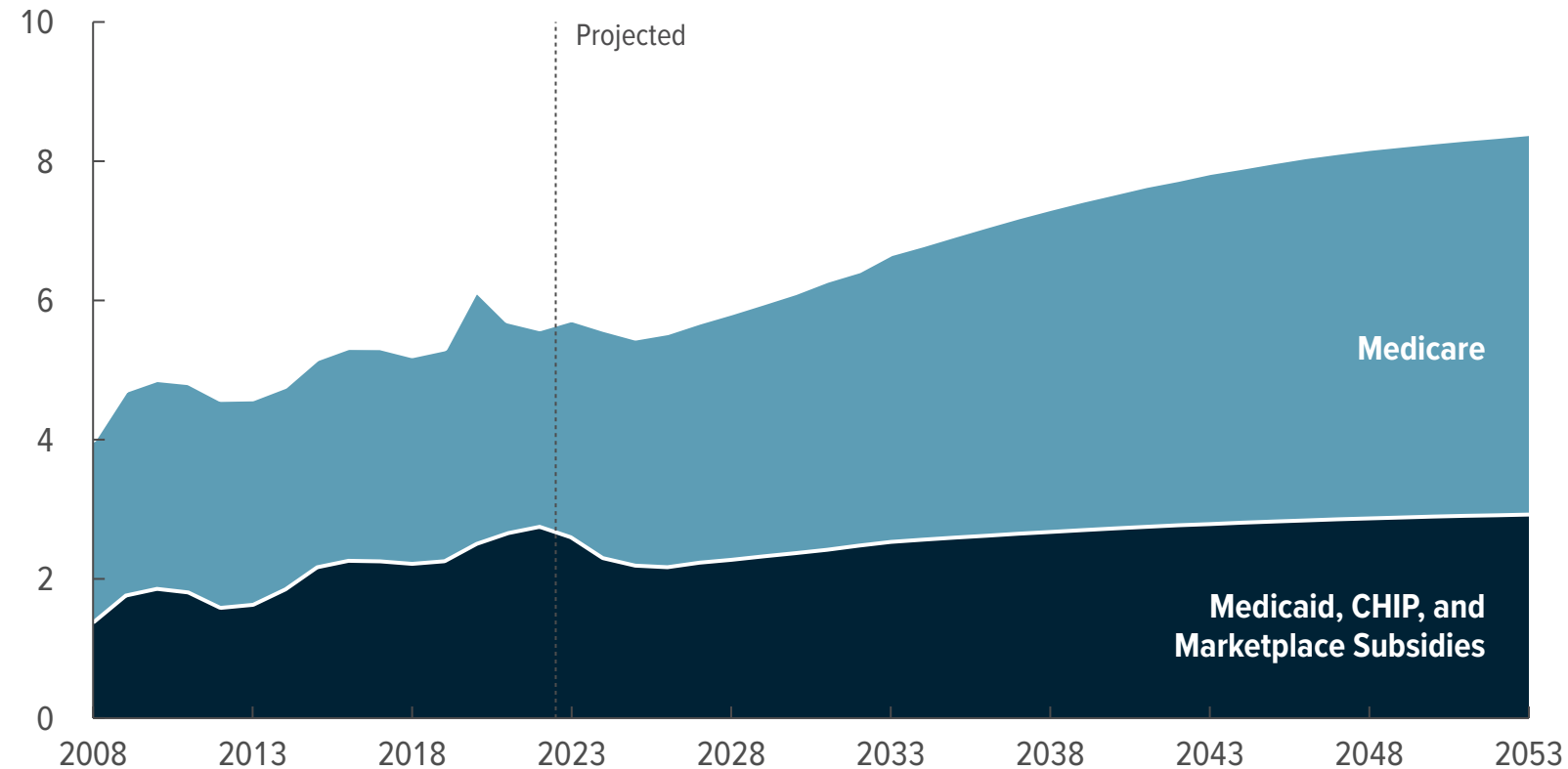
CBO prepares a budget baseline that serves as a benchmark for measuring the effects of proposed legislation affecting spending.

As part of its analysis of mandatory spending, CBO estimates health insurance coverage and projected spending on health care programs, including federal subsidies, Medicare, and Medicaid.

Subsidies include premium tax credits for policies in the ACA marketplaces and the tax subsidy for employment-based health insurance.

# Projected Federal Outlays for Major Health Care Programs

Percentage of Gross Domestic Product



## Projections for Major Health Care Programs for FY 2023

Billions of Dollars

Medicare	820
Medicaid	589
Marketplace Subsidies	81
Children's Health Insurance Program	18

# Projected Spending Within the Budget Functions of Health Care

Certain spending that falls within budget functions 550 (Health) and 570 (Medicare) is under the committee's jurisdiction.

Projected mandatory spending for function 550 totals \$760 billion in 2023 and \$9.1 trillion over the 2023–2033 period.

Projected discretionary spending for function 550 totals \$110 billion in 2023 and \$1.2 trillion over the 2023–2033 period, if appropriations grow with inflation.

Projected spending for function 570 totals \$820 billion in 2023 and \$13.1 trillion over the 2023–2033 period, almost all of which is mandatory.

# **Projected Federal Spending on Major Components of Health Care Spending in Fiscal Year 2023**

## **Health and Human Services**

- Medicare (\$820 billion)
- Medicaid (\$589 billion)
- Affordable Care Act's premium tax credits and related spending (\$81 billion)
- Children's Health Insurance Program (\$18 billion)
- National Institutes of Health (\$43 billion)
- Centers for Disease Control and Prevention (\$15 billion)
- Health Resources and Services Administration (\$15 billion)
- Substance Abuse and Mental Health Services Administration (\$8 billion)

# Options for Larger Spending Reductions for Fiscal Years 2023 to 2032 That Relate to Health Care

## Projected Savings From Options for Reducing the Deficit

Billions of Dollars

Option	Title	Savings, 2023–2032
1	Establish Caps on Federal Spending for Medicaid	501 to 871
2	Limit State Taxes on Health Care Providers	41 to 526
3	Reduce Federal Medicaid Matching Rates	68 to 667
4	Increase the Premiums Paid for Medicare Part B	57 to 448
5	Reduce Medicare Advantage Benchmarks	392
6	Reduce Tax Subsidies for Employment-Based Health Insurance	500 to 893
7	Reduce Social Security Benefits for High Earners	40 to 184
8	Set Social Security Benefits to a Flat Amount	270 to 593
9	Increase the Maximum Taxable Earnings That Are Subject to Social Security Payroll Taxes	670 to 1,204
10	Reduce Spending on Other Mandatory Programs	580
11	Reduce the Department of Defense’s Annual Budget	995
12	Reduce Nondefense Discretionary Spending	332
13	Increase Individual Income Tax Rates	502 to 1,329
14	Eliminate or Limit Itemized Deductions	541 to 2,507
15	Impose a New Payroll Tax	1,136 to 2,253
16	Impose a Tax on Consumption	1,950 to 3,050
17	Impose a Tax on Emissions of Greenhouse Gases	571 to 865



# **Energy and Environment in the Budget**

# **Selected Spending Within the Budget Functions of Energy and the Environment**

Certain spending within budget function 270 (energy) and subfunction 304 (pollution control and abatement) is under the committee's jurisdiction.

Projected mandatory spending for function 270 totals (net of offsetting receipts) about -\$7 billion in 2023 and \$24 billion over the 2023–2033 period, mostly from sales of oil from the Strategic Petroleum Reserve and funding provided through Public Law 117-169 (the 2022 reconciliation act).

Projected discretionary spending for function 270 totals \$9 billion in 2023 and \$235 billion over the 2023–2033 period (as inflated in CBO's February 2023 baseline).

Projected mandatory spending for subfunction 304 totals \$1 billion in 2023 and \$48 billion over the 2023–2033 period.

Projected discretionary spending for subfunction 304 totals \$14 billion in 2023 and \$280 billion over the 2023–2033 period (as inflated in CBO's February 2023 baseline).

# Major Energy and Environment Programs, by Agency

## Department Of Energy (DOE)

- Grants for industrial facilities, grid resiliency, battery manufacturing, regional hub programs, Civil Nuclear Credit Program, Weatherization Assistance Program
- Rebates for residential energy efficiency
- Loans under the Title XVII loan guarantee program, the Advanced Technology Vehicles Manufacturing loan program, and the Transmission Facility Financing program
- Strategic Petroleum Reserve

## Environmental Protection Agency (EPA)

- Grants for reduction of greenhouse gas emissions, environmental and climate justice initiatives, and state and tribal assistance
- Revenues from the Methane Emissions Reduction Program

DOE and EPA both received large increases in funding through the Infrastructure Investment and Jobs Act (roughly \$120 billion) and the 2022 reconciliation act (roughly \$75 billion). The Consolidated Appropriations Act, 2023 provided about \$20 billion in discretionary funding for programs in function 270 and subfunction 304.

# **Telecommunications in the Budget**

# Select Programs in Telecommunications

## **Federal Communications Commission (FCC)**

- Universal Service Fund
- Affordable Connectivity Program
- Spectrum auctions

## **National Telecommunications and Information Administration**

- Broadband Equity, Access, and Deployment Program

# Budgetary Effects of Spectrum Auctions

## Spectrum auction background

- The right to use the electromagnetic spectrum is regulated by the FCC.
- The FCC uses competitive auctions when it awards licenses to use the spectrum.
- The FCC's authority to conduct auctions expires on March 9, 2023. However, the agency is authorized to conduct two specific auctions after 2023 for the purposes of making certain frequencies currently used by federal agencies available for commercial use.

## Budgetary effects of spectrum auctions

- Under current law, proceeds from FCC auctions are deposited in the Treasury as offsetting receipts, but those proceeds may be spent for two purposes:
  - To cover the FCC's auction expenses (scored as increases in direct spending), and
  - To cover the costs to relocate incumbent federal systems (scored as increases in direct spending).
- Winning bidders pay for their licenses at the conclusion of each auction, but their payments are not recorded in the budget until the FCC issues licenses.
- CBO's baseline projections reflect the duration and scope of the FCC's auction authority under current law.